



# REVENUE STABILIZATION AND TAX POLICY COMMITTEE

## State Land Office Revenue Report

July 21, 2011

Ray Powell, M.S., D.V.M.

Commissioner of Public Lands

Robert Jenks, Deputy Commissioner

Elaine Olah, Assistant Commissioner - Administration

# Overview

## State Land Office

- Trust Lands
  - 13 million subsurface
  - 8.9 million surface acres
  - 22 beneficiaries of the State of New Mexico
- 151 FTE
- 12 Field Offices
- State Land Office Building houses 136 FTE plus the ONGARD Support Center
- 3 Leasing Divisions

## Beneficiaries

1. Common Schools
2. University of NM
3. Saline Lands
4. NM State University
5. Western NM University
6. NM Highlands
7. Northern NM School
8. Eastern NM University
9. NM Institute of Mining & Technology
10. NM Military Institute
11. NM Boys School
12. Miners Hospital
13. State Hospital
14. State Penitentiary
15. School For The Deaf
16. School For Visual Handicapped
17. Charitable Penal & Reform
18. Water Reservoirs
19. Rio Grande Improvement
20. Capitol Public Building
21. Carrie Tingley Hospital
22. State Parks Commission

# Revenue Flow

Miscellaneous Revenue  
*Interest on Deposits, Fees and Refunds*

Renewable Resources  
*Rental, Rights of Way and Interest*

Non-Renewable Resources  
*Royalties and Land Sale Proceeds*

Land Maintenance Fund

Land Grant Permanent Fund

## Land Office Revenue

FY 2003 \$263 Million  
FY 2004 \$279 Million  
FY 2005 \$386 Million  
FY 2006 \$495 Million  
FY 2007 \$476 Million  
FY 2008 \$546 Million  
FY 2009 \$537 Million  
FY 2010 \$420 Million  
FY 2011 \$499 Million  
FY 2012 \$502 Million

3 % = Operating Expenses  
97% = Public school distributions are paid into the Common School Fund, a sub-category of the General Fund; other beneficiaries receive monthly checks from the Land Office.

Invested by the State Investment Officer; Distributions based on 5-year average ending market value  
\* Distribution % as established by the Constitution

Distributions from the LGPF to public schools are paid into the Common School Fund; all other beneficiaries receive monthly checks from the State Investment Office



# Sources of Revenue

## Land Maintenance Fund

- Income Receipts
  - Land Rental
  - Bonuses
  - Interest & penalties on unpaid leases or royalties
- Other Income Receipts
  - Permits and Fees
  - Interest Income
  - Copies

## Land Grant Permanent Fund

- Royalties
- Land Sales – Principal

# NM State Land Office – FY 11 Revenue

## FISCAL YEAR 2011 REVISED REVENUE ESTIMATES Updated 5-17-11

Income Category	FY 2011 TOTAL Est (Op Bud)	TOTAL Revised Estimate	YTD ACTUAL Jun- 2011	% of Total Revenue Collected	% OP Bud Collected
<b>INCOME RECEIPTS</b>					
<b>SUBTOTAL</b>	<b>\$50,254,985</b>	<b>\$ 70,612,456</b>	<b>\$ 86,657,328</b>	<b>17.36%</b>	<b>172.44%</b>
<b>OTHER INCOME RECEIPTS</b>					
<b>SUBTOTAL</b>	<b>\$872,155</b>	<b>\$ 1,055,748</b>	<b>\$ 1,046,900</b>	<b>0.21%</b>	<b>120.04%</b>
<b>TOTAL INCOME RECEIPTS</b>	<b>\$51,127,139</b>	<b>\$ 71,668,204</b>	<b>\$ 87,704,228</b>	<b>17.57%</b>	<b>171.54%</b>
<b>ROYALTY RECEIPTS</b>					
<b>TOTAL ROYALTY RECEIPTS</b>	<b>\$245,588,017</b>	<b>\$ 399,168,962</b>	<b>\$ 411,495,508</b>	<b>82.43%</b>	<b>167.56%</b>
<b>GRAND TOTAL</b>	<b>\$296,715,156</b>	<b>\$ 470,837,166</b>	<b>\$ 499,199,736</b>	<b>100.00%</b>	<b>168.24%</b>

- Land Maintenance Fund
  - Income Revenue Collected \$87.7 Million
  - SLO Expenses - \$13.1 Million (preliminary)
  - Distribution to Beneficiaries – \$74.6 Million
- Land Grant Permanent Fund
  - Revenue Collected \$ 411.5 Million
  - Increase in Transfers over Operating Budget Level \$165.9 Million

- Administrative Costs/Revenue Generated
  - Operating Budget – 4.55%
  - Actual (Preliminary) – 2.63%
- Actual revenue 68% over initial estimates
- Oil & Gas Revenues 93.7% of total collected
- Income Receipts over by \$174.7M
  - Water & Salt Water over by \$1.4 M
  - Business Leases & Option over by \$1.4 M
  - Gas & Oil Lease Bonuses \$22 M higher
    - June sale – \$17.2 Mil
    - Avg Lease Sale through May \$3.5 M
  - Oil & Gas Interest \$10.7 M higher
- Royalties over by \$165.9 M
  - Gas & Oil Royalties \$163 M (69%) higher
    - Higher prices and stable production
  - Potash rentals and bonuses up - new uses

# NM State Land Office – FY 12 Revenue

## FISCAL YEAR 2012 REVISED REVENUE ESTIMATES

Income Category	Op Budget TOTAL	% Est Revenue	Est. Upddated 13-11	% Est Revenu e
<b>INCOME RECEIPTS</b>				
<b>SUBTOTAL</b>	<b>\$65,407,388</b>	<b>15.45%</b>	<b>\$82,819,125</b>	<b>16.51%</b>
<b>OTHER INCOME RECEIPTS</b>				
<b>SUBTOTAL</b>	<b>\$851,810</b>	<b>0.20%</b>	<b>\$ 851,810</b>	<b>0.17%</b>
<b>TOTAL INCOME RECEIPTS</b>	<b>\$66,259,198</b>	<b>15.65%</b>	<b>\$83,670,935</b>	<b>16.68%</b>
<b>ROYALTY RECEIPTS</b>				
<b>TOTAL ROYALTY RECEIPTS</b>	<b>\$357,125,443</b>	<b>83.98%</b>	<b>\$418,054,012</b>	<b>83.32%</b>
<b>GRAND TOTAL</b>	<b>\$423,384,641</b>	<b>100.00%</b>	<b>\$501,724,948</b>	<b>100.00%</b>

- Land Maintenance Fund

- Estimates revised July
- Revenue \$83.7 Million;
  - \$17.4 Mil more if estimates hold
  - July & August Lease sales @ \$19.4 and \$15 Mil; Average \$3.1 Mil Sept – June
  - Decrease \$1.6 Mil in Grazing leases due to economy
- Distribution to Beneficiaries -\$70.9 Million (revised)

- Land Grant Permanent Fund

- Projections close to \$502 Million
  - Transfers to SIC for investment - \$418.1 Million
  - 83.2% of Total Revenue Generated
  - 80.7% from Oil and Gas Royalties
- Increased Transfers if estimates hold - \$60.9 Mil
- Administrative Costs/Revenue Generated
  - Operating Budget Exp/Rev – 3.02%
  - Operating Budget Expenses to Revised Revenue Estimates – 2.6%
- 94.5% of all revenue comes from Oil & Gas
- Revised revenue estimates are 15.6% over Operating Budget Levels
  - Oil and Gas estimate revisions (\$77.6 Mil)

# Revenue by Fiscal Year & Source

## REVENUES GENERATED BY FISCAL YEAR

Updated 7-20-2011

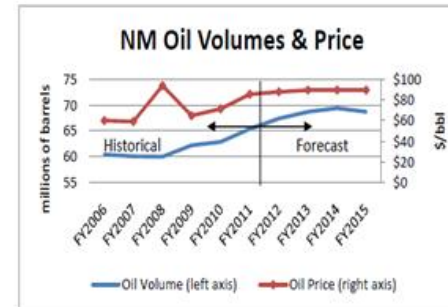
INCOME-SOURCE	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012 Rev Est.
<b>RENTALS</b>							
<b>SUB-TOTAL</b>	75,849,236	70,185,242	64,723,136	54,246,193	85,824,259	86,657,328	82,819,125
<b>OTHER</b>							
<b>SUB-TOTAL</b>	4,643,592	6,991,672	6,572,611	1,652,072	684,992	1,046,900	851,810
<b>TOTAL Rental-Other</b>	80,492,828	77,176,914	71,295,747	55,898,265	86,509,251	87,704,228	83,670,935
<b>ROYALTY</b>							
<b>SUB-TOTAL</b>	414,694,467	398,602,630	474,899,162	480,626,273	330,275,443	411,495,508	418,054,012
<b>GRAND TOTAL</b>	495,187,295	475,779,544	546,194,909	536,524,539	416,784,694	499,199,736	501,724,948

INCOME-SOURCE	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012 Rev Est.
Oil & Gas Rental	2,247,649	2,257,873	2,214,788	2,248,154	2,196,337	2,229,131	2,124,949
Oil & Gas Bounses (O/G)	57,333,985	45,312,683	44,697,821	33,655,610	67,737,163	55,360,518	66,171,634
Oil and Gas Int. (O/G)	1,237,704	8,869,815	2,865,485	1,807,271	3,462,079	12,013,542	1,200,000
Oil & Gas (O/G)	405,343,063	390,449,484	459,916,308	459,576,769	316,466,037	398,001,680	404,842,054

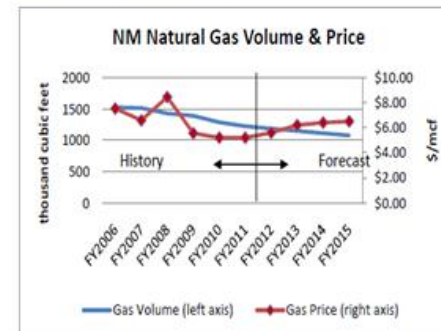
# Gas & Oil

## Consensus Revenue Estimates Testimony to LFC July 14, 2011 - ENERGY MARKETS (Attachment 4):

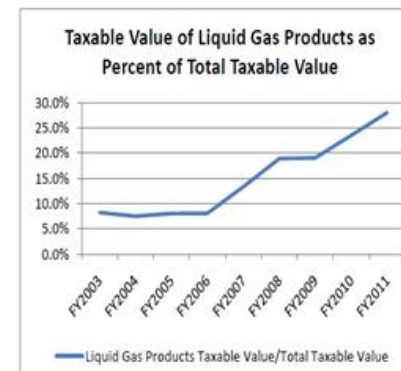
- Oil prices are projected @ \$85 per barrel in the near term
- Oil volumes increased 1% in FY10; preliminary actuals FY 11 show 4 % increase
- Natural Gas averaging approx. \$4.00/1,000 cu. ft. for NM producers in the latter half of FY11.
- Natural gas liquids adding about \$1.20/1,000 cu.ft. to the average value of total gas production
- Natural gas volumes fell by 7.5% in FY 10 & 4.7% in FY 11
- Declines offset by higher prices



Source: ONGARD database / Consensus revenue estimating group



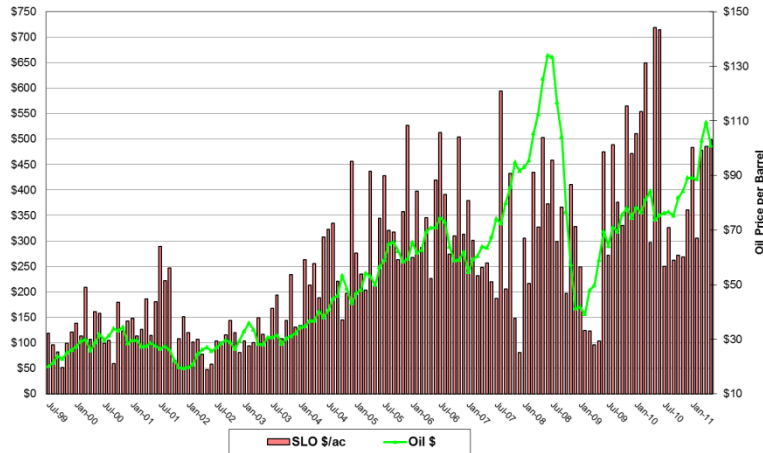
Source: ONGARD database/ Consensus revenue estimating group



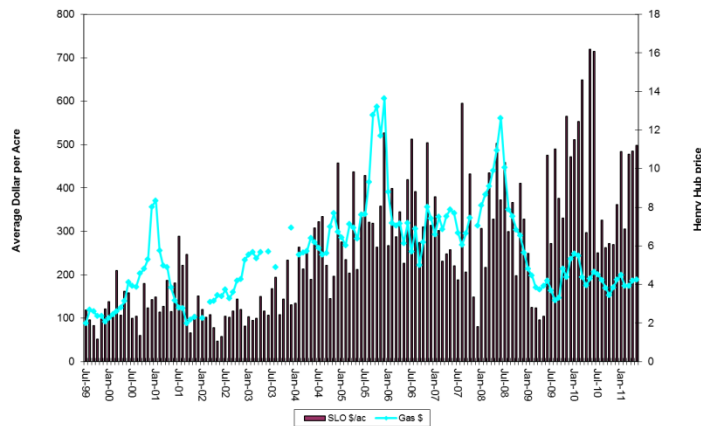


# SLO Oil and Gas

New Mexico State Land Office  
Oil and Gas Lease Bonus Dollar per Acre  
vs. Oil Price



Henry Hub Gas Price  
vs. Average SLO Oil & Gas Lease Land Value



## Oil & Gas Facts

	NM	Trust	Total %
Producing wells	169,711	44,295	26%
Total Wells in which state has an interest		51,260	30%
Enhanced recovery injection wells	14,801	4,990	34%
Salt water disposal wells	2,424	854	30%
Total oil wells drilled in FY 11	5,370	1,631	30%
Total gas well drilled in FY 11	1,570	312	20%

Big plays: Shale directional drilling

9,207 leases with 64% @ 1/8 royalty. 22% @ 1/6 royalty; 14% @ 3/16 or 1/6

2.9 million acres under oil & gas lease

\$134.36 average per acre income under lease in FY 2011

\$329.05 average bonus per acre leased in FY 2011; including Frontier Areas



# SLO Oil & Gas Royalty Income

## *Interesting Facts:*

### **FY04:**

39% of royalties came from oil;

60% from gas;

1% from CO2

### **FY11:**

64% of royalties came from oil;

35% from gas;

1% from CO2

### **FY04:**

17% of royalties came from Northern NM;

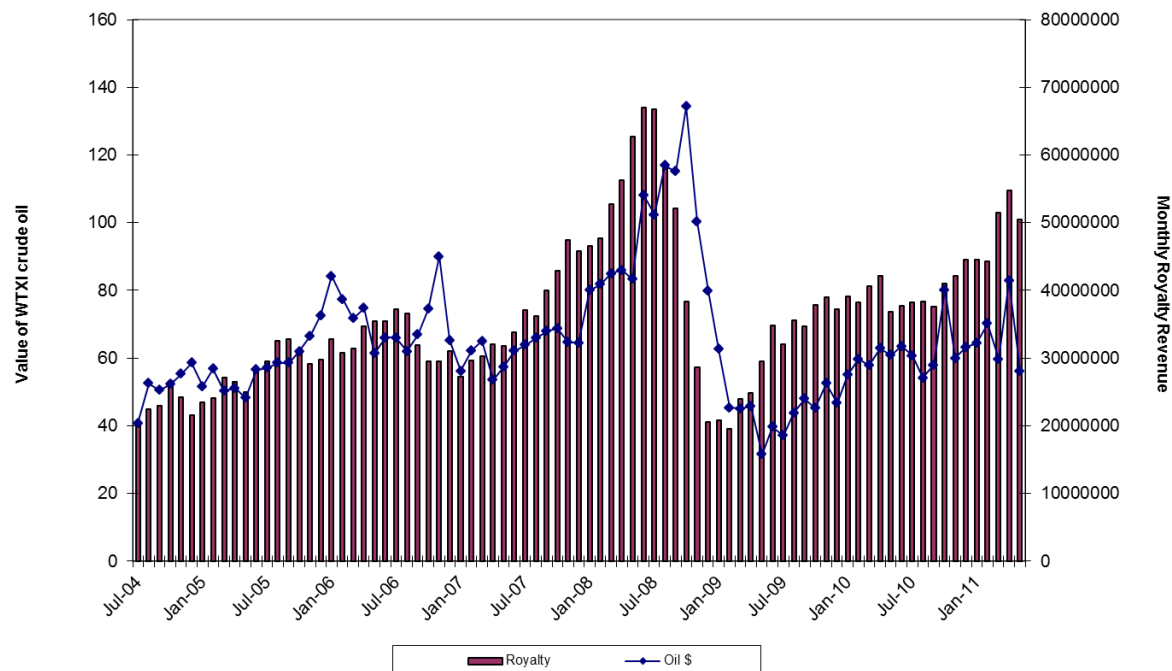
83% from Southeastern NM

### **FY11:**

11% of royalties came from Northern NM;

89% from Southeastern NM

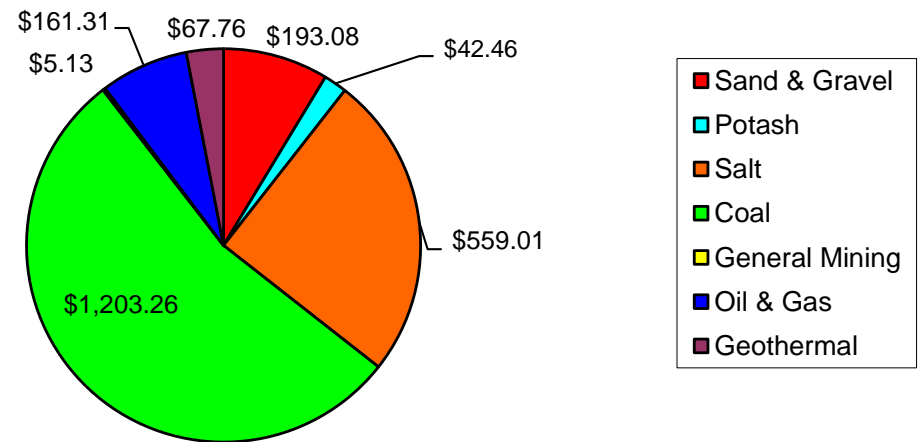
**New Mexico State Land Office  
Royalty Income vs Oil Price**



# Mineral Resources Income/Acre

Commodity	FY11 Revenue	# Acres under Lease
Sand & Gravel HA leases only	\$ 1,357,714	7,031.78
Potash	\$ 2,622,894	61,775.48
Salt	\$ 110,807	198.22
Coal	\$ 7,366,678	6,122.29
General Mining	\$ 105,277	20,528.28
Oil & Gas	\$ 467,604,871	2,898,710.67
Geothermal	\$ 21,927	323.59

Average Income per Acre by Source



# Revenue Projections

SLO Active Leases		
Source Code		
1	Sand & Gravel	70
2	Potash	32
3	Grazing	3770
4	Salt	4
5	Coal	21
6	General Mining	50
8	Oil & Gas	9213
9	Land Contracts	15
10	Business Leases	625
11	Geothermal	2
12	Water	283
13	Salt Water	168
14	Right of Ways	17541
15	Civil Actions	29
16	Fuel Wood	5
17	Gas Storage Units	9
18	Caliche	17
25	Billboards	128
26	Special Use Agreements	3
27	Seismic Permits	25
31	Solar Energy	3
32	Wind Energy	1
34	Energy Transmission	1
35	Business Lease Options	25
		<hr/>
		32,040

## FY 2012

- Index-Based Increases
  - NMSU forecast of indices – Grazing
  - CPI – Business Leases
- Five Year Rolling Average
  - Royalties
  - Lease Sales (adjusted based on high sale)
  - Interest and penalties on royalties and unpaid leases
  - Rights of Ways
  - Permits and Application Fees
  - Miscellaneous

# Revenue Projections

## Commercial Leasing

- Renewable Energy
  - Infrastructure for transmission lines upgraded or added
  - Markets for renewable energy
  - Four Corners power plant winding down
  - Business Leasing
- Joint Planning with Local communities
- Economic health will improve revenue outlook

## Oil & Gas

- BBER analysis
  - Lease Sales
    - Identify available tracts
    - Identify new technologies that could impact sales
    - Predictors of industry interest
  - Royalties
    - 5-year rolling average
    - Adjust for economic variables (Consensus Revenue Estimates and BBER)

# Revenue Projections

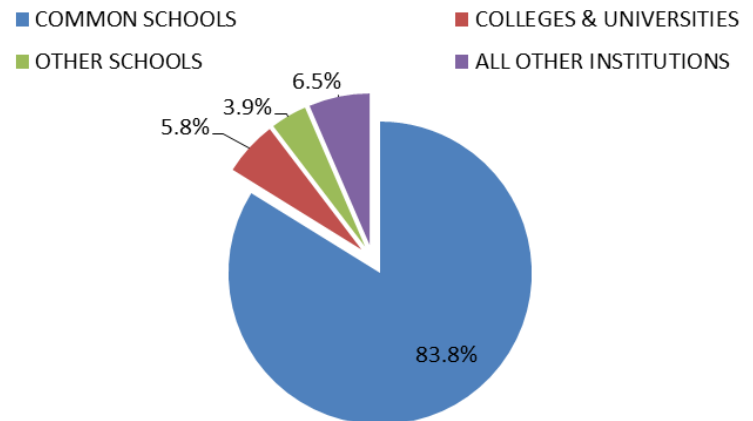
- Other Rentals
  - 5-year rolling average
  - Leases
    - Formula (index based)
    - Active leases
    - Terms/Regulations
- Miscellaneous
  - 5-year average
  - Suspense account
- BBER Model – Gas & Oil
- Work with TRD, OCD, LFC and DFA
- ONGARD
- Land Management Information System (2013)
  - Provide more information about state trust lands
  - Introduce tools that can assist with projecting lease income

# Earnings to Beneficiaries – FY 2011

## Projected FY 2011 (Preliminary)

	Land Maintenance Fund	Land Grant Permanent Fund	Total
<b>COMMON SCHOOLS</b>	\$ 65,620,177.91	\$ 446,227,167.00	\$ 511,847,344.91
<b>UNIVERSITY OF NM</b>	\$ 1,173,842.38	\$ 8,475,321.00	\$ 9,649,163.38
<b>SALINE LANDS</b>	\$ -	\$ 30,664.00	\$ 30,664.00
<b>NM STATE UNIVERSITY</b>	\$ 417,711.06	\$ 2,682,251.00	\$ 3,099,962.06
<b>WESTERN NM UNIVERSITY</b>	\$ 67,085.03	\$ 153,903.00	\$ 220,988.03
<b>NM HIGHLANDS</b>	\$ 90,145.34	\$ 153,012.00	\$ 243,157.34
<b>NORHTERN NM SCHOOL</b>	\$ 41,950.36	\$ 120,428.00	\$ 162,378.36
<b>EASTERN NM UNIVERSITY</b>	\$ 362,118.11	\$ 462,183.00	\$ 824,301.11
<b>NM INST OF MIN &amp; TECH</b>	\$ 300,201.30	\$ 1,111,646.00	\$ 1,411,847.30
<b>NM MILITARY INST.</b>	\$ 1,823,559.55	\$ 18,064,014.00	\$ 19,887,573.55
<b>NM BOYS SCHOOL</b>	\$ 26,344.79	\$ 35,420.00	\$ 61,764.79
<b>MINERS HOSPITAL</b>	\$ 448,759.11	\$ 5,509,070.00	\$ 5,957,829.11
<b>STATE HOSPITAL</b>	\$ 455,966.64	\$ 1,269,776.00	\$ 1,725,742.64
<b>STATE PENIENTIARY</b>	\$ 332,198.10	\$ 10,856,923.00	\$ 11,189,121.10
<b>SCHOOL FOR THE DEAF</b>	\$ 691,606.87	\$ 11,063,416.00	\$ 11,755,022.87
<b>SCHOOL FOR VISUAL HD</b>	\$ 724,864.32	\$ 11,035,753.00	\$ 11,760,617.32
<b>CHARITABLE PENAL &amp; REFORM</b>	\$ 571,973.87	\$ 4,835,026.00	\$ 5,406,999.87
<b>WATER RESIVOIRS</b>	\$ 624,135.00	\$ 6,153,544.00	\$ 6,777,679.00
<b>RIO GRANDE IMPROV</b>	\$ 152,380.65	\$ 1,445,350.00	\$ 1,597,730.65
<b>PUBLIC BLDG</b>	\$ 687,305.81	\$ 6,210,937.00	\$ 6,898,242.81
<b>CARRIE TINGLEY</b>	\$ 36,523.91	\$ 7,204.00	\$ 43,727.91
<b>STATE PARK COMMISSION</b>	\$ -	\$ -	\$ -
	<b>\$ 74,648,850.11</b>	<b>\$ 535,903,008.00</b>	<b>\$ 610,551,858.11</b>

## Beneficiary Share of Total Distributions



# State Trust Land Support – Public Schools

FY 2011 Final Program

Cost \$2.3 **Billion**

Land Maintenance

Fund \$65.6 Million

Land Grant Permanent

Fund \$446.2 Million

Total from State Trust

Lands \$511.8 Million

All Other sources:

\$1.765 Billion

